

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

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R 170801Z JUN 75

FM AMEMBASSY TOKYO

TO AMEMBASSY SEOUL

INFO SECSTATE WASHDC 0924

AMCONSUL HONG KONG

LIMITED OFFICIAL USE TOKYO 8043

DEPT PASS TREASURY; HONG KONG FOR REG FINATT

E.O. 11652: N/A

TAGS: EFIN, KS, JA

SUBJ: POSSIBLE BANK LOAN TO KOREA

REF: SEOUL 4233

1. KOREA HAS EXPRESSED INTEREST IN BORROWING IN JAPAN
BUT BANKERS REPORT NO CONCRETE APPROACH OR BORROWING
PROPOSAL HAS YET BEEN MADE.

2. BOJ OFFICIAL TOLD FINATT THAT DURING RECENT ADB MEET-
ING IN MANILA GOV OF KOREA DEVELOPMENT BANK SPOKE TO
BOJ GOV MORINAGA WHO LED JAPANESE DELEGATION ABOUT
BORROWING IN JAPAN. MORINAGA INDICATED THAT DECISION IN
GRANTING CREDIT WOULD BE UP TO PRIVATE SECTOR ALTHOUGH
GOJ GIVE SYMPATHETIC CONSIDERATION IN APPROVING SUCH
BORROWING.

3. SECURITIES CO CONTACT SAID KDB RUMORED TO BE INTER-
ESTED IN SELLING YEN BOND ISSUE IN JAPAN, PERHAPS IN
AMOUNT OF 5 BIL YEN (\$17 MIL). MOF HAS RECENTLY LIBERALIZ-
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ED SUCH ISSUES AND GIVING APPROVAL AT THE RATE OF LESS

THAN ONE ISSUE PER MONTH. SECURITIES CO REP NOTED THAT QUEUE OF POTENTIAL BORROWERS APPARENTLY ALREADY QUITE LONG EVEN THOUGH FIRST ISSUE BY FINLAND HAD NOT YET BEEN FLOATED.

4. KOREA CONSIDERED A POOR RISK BY MOST JAPANESE COMMERCIAL AND INVESTMENT BANKERS CONTACTED BY FINATT BECAUSE OF PRESENT ECONOMIC (AND POLITICAL) DIFFICULTIES AND THEY WERE SKEPTICAL THAT JAPANESE FINANCIAL COMMUNITY WOULD BE INTERESTED IN PROVIDING CREDIT TO KOREA. ACCORDING TO RECENT FINATT SURVEY OF JAPANESE BANK LENDING PRACTICES (TOKYO 1757 NOTAL) JAPANESE BANKS' LOANS OTHER THAN TRADE CREDIT "ARE NORMALLY EXTENDED ONLY TO THE PUBLIC SECTOR OF FOREIGN COUNTRIES OR TO SUBSIDIARIES OF WELL-KNOWN INTERNATIONAL CORPORATIONS. FOLLOWING THE FAILURE OF THE GERMAN HERSTATT BANK A YEAR AGO THE GOVT AND COMMERCIAL BANKS HAVE TAKEN AN EVEN MORE CAUTIOUS ATTITUDE TOWARD FOREIGN LENDING AND THE SURVEY FOUND THAT NO SIGNIFICANT EXPANSION IN INTERNATIONAL LENDING WAS EXPECTED DURING 1975.

5. FINATT INQUIRY DID, HOWEVER, UNCOVER FROM KNOWLEDGEABLE SOURCE AT BANK OF TOKYO THAT THERE HAS BEEN CONSIDERABLE TALK OF POSSIBLE LENDING TO KOREA. APPARENTLY SOME MEMBERS OF THE POWERFUL KEIDANREN (FEDERATION OF ECONOMIC ORGANIZATIONS) ARE ADVOCATING THAT JAPANESE BANKS RESPOND FAVORABLY TO ANY SOUTH KOREAN REQUEST FOR CREDIT DURING ITS CURRENT ECONOMIC DIFFICULTIES, DUE IN PART TO JAPAN'S RECESSION. BANKER SAID THAT TO DATE THERE HAD BEEN NO SPECIFIC REQUEST MADE BY KOREA TO THE JAPANESE FINANCIAL COMMUNITY.
HODGSON

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